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Arizona Corporation Commission
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FROM: David Berry

DATE: February 12, 2010

DOCKETED BY	<i>MM</i>
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SUBJECT: Comments on Proposed Rulemaking on Resource Planning
Docket No. RE-00000A-09-0249

Western Resource Advocates (WRA) hereby submits its comments on the Commission's proposed resource planning rule changes as set forth in Decision No. 71435. The proposed rule changes are in the public interest and should be adopted by the Commission with a few minor clarifications as explained in these comments. The proposed rule changes have many strengths, including explicit reference to environmental impacts of power generation, recognition of the uncertainties encountered in planning, recognition of the multiple objectives of resource planning, gathering of public input prior to the filing of resource plans, and acknowledgement of resource plans.

Arizona electric utilities will be making numerous resource decisions in the coming decades and their choices will affect electric rates, their own financial condition, and environmental quality. These decisions will be made in a fog of uncertainty and the resource planning process can help manage the risks posed by uncertain fuel prices, uncertain capital costs for new resources, risks to cost recovery, and potential costs of reducing environmental impacts.

WRA urges the Commission to make several clarifications to the proposed rule as described below.

Clarification Regarding Environmental Factors

An important component of the proposed rule changes is the set of requirements pertaining to analysis and consideration of the environmental aspects of various generation resources and their alternatives. There are over a dozen such passages in the proposed rule change: see, for example, R14-2-703 (D)(17) pertaining to a plan for reducing environmental impacts and

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Section 703 (F)(3) requiring that resource plans address adverse environmental impacts of power production. However, the proposed rule changes do not include environmental impacts in the list of factors to be considered by the Commission set forth in Section 704 (B). WRA believes the omission of environmental impacts from the list of factors to be considered by the Commission is an oversight given the many requirements to consider environmental impacts throughout the rule. Therefore, WRA recommends that environmental impacts be explicitly included in Section 704 (B) by inserting:

7. Environmental impacts of resource choices and alternatives;

The remainder of the current list should be renumbered accordingly.

Other Clarifications

Several provisions could be expressed more clearly and WRA recommends the following wording changes.

- R14-2-701 (33) defines Production Cost as the variable operating costs and maintenance costs of producing electricity through generation The proposed rule strikes the inclusion of fuel costs as part of production costs. Fuel costs are the most important component of production costs for conventional generation resources and the phrase “(including fuel cost)” should be retained in the definition.
- R14-2-703(F)(6) pertaining to elements of a resource plan states: “Will address energy efficiency so as to meet any requirements set in rule by the Commission”. Because the Commission has already, and may in the future, set efficiency requirements in orders, this passage should be rewritten to read: “Will address energy efficiency so as to meet any requirements set in rule by the Commission or in an order of the Commission”.